DEPARTMENT OF AUDITS AND ACCOUNTS

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January 25, 2017

Honorable Jay Powell
Chairman, House Ways and Means
133 State Capitol
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill 54 (LC 34 4999)

Dear Chairman Powell:

The bill would amend an existing tax credit program for rural health care organizations. First, the bill would increase the amount of the tax credit for taxpayers from 70 percent of the donated amount to 90 percent of the donated amount. It would also change the annual caps in two of the three years currently authorized, increasing the tax year 2017 cap from $50 million to $60 million and decreasing the tax year 2019 cap from $70 million to $60 million. The changes to the tax credit would be retroactive to January 1, 2017.

Impact on State Revenue
The University of Georgia's Carl Vinson Institute of Government (CVIOG) estimates that the program caps would be reached in all three tax years (2017 - 2019). CVIOG noted that 48 hospitals are qualified to receive up to $4 million each and that the program cap would be reached if just 15 hospitals reached their individual cap. If each of the 48 hospitals received $1.25 million, the cap would be reached. In addition, increasing the amount of the tax credit to 90 percent of the donated amount would increase the likelihood that program caps will be reached in a given year.

Given the changes made to the annual caps, the bill would decrease FY 2018 state revenue by $10 million and increase FY 2020 revenue by $10 million. CVIOG's analysis assumes that taxpayers use the credit in the tax filing at the end of the year earned although unused credit amounts can be carried forward for five years. The tax filing for a tax year occurs in the following fiscal year; therefore, 2017 tax credits impact FY 2018 revenue.

Impact on State Agency Costs
The Department of Revenue (DOR) would incur one-time costs of $5,000 associated with the bill. The costs are associated with IT system changes, training, and taxpayer outreach.

Sincerely,

Greg S. Griffin
State Auditor

Teresa A. MacCartney, Director
Office of Planning and Budget

GSG/TAM/mt

Analysis by the Carl Vinson Institute of Government

The following assumptions were considered in the analysis:

- The legislative intent of the existing tax credit program is to raise $180 million over a three-year period to assist rural hospitals in the state.

- There are 48 hospitals that are qualified to receive up to $4 million each. The $60 million dollar cap will be reached if 15 of these meet the $4 million per hospital cap each year. If each of the 48 hospitals receive $1,250,000, the cap is reached each year.

- The proposed legislation changes the cap in 2017 and 2019, so that the total amount of $180 million is divided equally across all three years rather than ramping up from $50 in 2017 to $60 million in 2018 and $70 million in 2019.